

QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR FIRST QUARTER AND THREE MONTHS ENDED 30 SEPTEMBER 2016 ("1Q2017")

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a)(i) A consolidated statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Financial statements on consolidated results for the first quarter ended 30 September 2016.

	Note	Group		
		First Quarter		
		Jul 2016 - Sep 2016 S\$'000	Jul 2015 - Sep 2015 S\$'000 (Restated)	Inc/ (Dec) %
Revenue		3,316	5,633	(41.1)
Cost of sales		(2,674)	(4,690)	(43.0)
Gross profit		642	943	(31.9)
Other operating income		145	85	70.6
Other operating expenses		(40)	(2,543)	(98.4)
Distribution and selling expenses		(60)	(26)	130.8
Administrative expenses		(1,733)	(1,888)	(8.2)
Finance income		196	115	70.4
Finance costs		(82)	(18)	>100
Share of results of joint ventures		140	(8)	N.M
Loss before income tax	1	(792)	(3,340)	(76.3)
Income tax		25	(3)	N.M
Loss from continuing operation		(767)	(3,343)	(77.1)
Discontinued operations				
(Loss)/profit from discontinued operations		(544)	7	N.M
Loss for the period		(1,311)	(3,336)	(60.7)
Other comprehensive income		1,510	1,250	20.8
Total comprehensive income/(loss)		199	(2,086)	N.M
Net loss attributable to:				
Equity holders of the Company		(893)	(2,619)	(65.9)
Non-controlling interests		(418)	(717)	(41.7)
		(1,311)	(3,336)	(60.7)
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company		291	(1,952)	N.M
Non-controlling interests		(92)	(134)	(31.3)
		199	(2,086)	N.M

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Notes:

1) Loss before tax is arrived at after (charging)/crediting the following:-

	Group		
	First Quarter		
	Jul 2016 - Sep 2016 S\$'000	Jul 2015 - Sep 2015 S\$'000	Inc/ (Dec) %
(Provision)/reversal of doubtful debts	(27)	58	N.M
Depreciation of property, plant and equipment	(77)	(76)	1.3
Realised exchange loss	(13)	(311)	(95.8)
Unrealised exchange gain/(loss)	130	(1,164)	N.M
Interest expense	(70)	(18)	>100
Interest income	196	130	50.8
Gain on disposal of plant and equipment	5	-	N.M
Impairment of available-for-sale financial assets	-	(1,061)	(100.0)
Adjustment for under provision of tax in respect of prior years	(37)	(38)	(2.6)

1(a)(ii) Other comprehensive income/(loss) (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		
	First Quarter		
	Jul 2016 - Sep 2016 S\$'000	Jul 2015 - Sep 2015 S\$'000	Inc/ (Dec) %
<i>Other comprehensive income:</i>			
Exchange difference on translation of foreign operations	746	1,239	(39.8)
Fair value gain recognised in equity on revaluation of available-for-sale financial assets during the period	763	13	>100
Deferred tax on fair value changes to available-for-sale financial assets	1	(2)	N.M
Other comprehensive income	1,510	1,250	20.8

QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR FIRST QUARTER AND THREE MONTHS ENDED 30 SEPTEMBER 2016 ("1Q2017")

1(b)(i) A consolidated statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Note	Group		Company	
		30-Sep-16 S\$'000	30-Jun-16 S\$'000	30-Sep-16 S\$'000	30-Jun-16 S\$'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	1	12,551	5,690	354	346
Investment in subsidiaries		-	-	14,856	14,364
Investment in joint venture entities		947	859	-	-
Goodwill	2	1,570	1,570	-	-
Other intangible assets	3	4,715	4,381	-	-
Other financial assets	4	6,705	5,940	-	-
Other receivables	6	5,000	5,000	5,000	5,000
Deferred tax assets	13	212	208	-	-
Total Non-Current Assets		31,700	23,648	20,210	19,710
Current Assets					
Other financial assets	4	900	1,900	-	-
Inventories	5	3,947	4,101	-	-
Trade and other receivables	6	3,196	9,336	176	390
Related parties balances	7	219	294	14,069	13,280
Cash and bank deposits		5,877	5,723	899	632
Fixed deposits and other investments		11,129	10,990	304	504
Assets held for sale		-	-	144	1,796
Total Current Assets		25,268	32,344	15,592	16,602
Total Assets		56,968	55,992	35,802	36,312
LIABILITIES AND EQUITY					
Current Liabilities					
Trade and other payables	8	3,521	3,208	1,020	397
Finance lease obligations	9	9	9	-	-
Income tax liabilities	10	22	21	-	-
Borrowings	11	3,900	4,750	3,900	4,750
Liabilities directly associated with assets classified as held for sale	12	-	-	16	1,759
Total Current Liabilities		7,452	7,988	4,936	6,906
Non-Current Liabilities					
Finance lease obligations	9	11	14	-	-
Deferred tax liabilities	13	2	2	-	-
Total Non-Current Liabilities		13	16	-	-
Total Liabilities		7,465	8,004	4,936	6,906
EQUITY					
Share capital		142,273	140,957	142,273	140,957
Reserves		(107,084)	(107,375)	(111,407)	(111,551)
		35,189	33,582	30,866	29,406
Non-controlling interests		14,314	14,406	-	-
Total Equity		49,503	47,988	30,866	29,406
Total Liabilities and Equity		56,968	55,992	35,802	36,312

QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR FIRST QUARTER AND THREE MONTHS ENDED 30 SEPTEMBER 2016 ("1Q2017")

Notes to the consolidated statement of financial position

1) Property, plant and equipment

Property, plant and equipment increased from net book value of S\$5.7 million as at 30 June 2016 to S\$12.6 million as at 30 September 2016. Net additions during the period were S\$6.9 million. Depreciation and translation gain were both approximately S\$0.1 million. The addition mainly pertain to the construction of microalgae oil cultivation facility.

2) Goodwill

Goodwill remains unchanged over the financial period.

	Sep-16	Jun-16
	S\$'000	S\$'000
Mid-Continent Equipment Group Pte Ltd	1,570	1,570

3) Other Intangible assets

	Sep-16	Jun-16
	S\$'000	S\$'000
Other Intangible assets	4,715	4,381

Other intangible assets consist of:

	Sep-16	Jun-16
	S\$'000	S\$'000
20% (2016: 20%) participating interest for the exploration of an area covered by the Petroleum Retention Licence 173 and 174 granted under the Petroleum Act 2000 of South Australia	4,715	4,381
Coal concession rights granted by the Government of Indonesia for a period of 30 years, commencing from the date that mining operations commences, to explore, mine and extract coal from the Kuaro coal formation located at Kabupaten Pasir, East Kalimantan, Indonesia*	-	-
Exploration and evaluation expenditure incurred for the exploration and evaluation of coal of the Kuaro coal formation located at Kabupaten Pasir, East Kalimantan, Indonesia*	-	-
	<u>4,715</u>	<u>4,381</u>

**As announced on 30 June 2016 and 2 August 2016 by APAC Coal Limited ("APAC"), a 55.79% direct holding subsidiary of Magnus Energy Group Ltd, APAC has entered into a sales and purchase agreement to acquire 100% of the shares in Sharp Year Ventures Limited, which shall be fully funded by the issuance of APAC's shares (the "Proposed Acquisition"). On completion of the Proposed Acquisition, APAC will cease to be a subsidiary. The coal concession rights and exploration assets are owned by one of the subsidiaries of APAC which will be sold in accordance with the terms of the Proposed Acquisition. Accordingly, the coal concession rights and exploration asset has been reclassified to assets held for sale and impaired to a fair value of S\$1 as at 30 June 2016*

QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR FIRST QUARTER AND THREE MONTHS ENDED 30 SEPTEMBER 2016 (“1Q2017”)

Notes to the consolidated statement of financial position (cont’d)

4) Other financial assets

Decrease in available-for-sale financial assets mainly due to collection of S\$1.0 million from the Indonesia road project. The decrease was offset by fair value gain from quoted equity securities of S\$0.8 million.

	Sep-16	Jun-16
	S\$’000	S\$’000
Other financial assets (current)	900	1,900
Other financial assets (non-current)	6,705	5,940
Total other financial assets	7,605	7,840

5) Inventories

	Sep-16	Jun-16
	S\$’000	S\$’000
Finished goods	3,376	3,617
Work-in-progress	235	184
Goods-in-transit	336	300
Total	3,947	4,101

Refer to Item 8 on Page 14 for more details on sales performance.

6) Trade and other receivables

The amount of trade receivables have decreased from S\$3.0 million as at 30 June 2016 to S\$1.3 million as at 30 September 2016 as a result of decrease in revenue. Other receivables, deposits and prepayment decreased S\$4.5 million from S\$6.4 million to S\$1.9 million. The decrease in other receivables, deposits and prepayments is mainly due to reclassification of S\$3.0 million deposit paid for microalgae oil cultivation facility to construction in progress.

Other receivables (non-current) of S\$5 million related to Redeemable Convertible Loan (the “RCL”) with PT Hanjungin as announced on 22 May 2015.

	Sep-16	Jun-16
	S\$’000	S\$’000
Trade receivables	1,258	2,964
Other receivables, deposits and prepayments	1,938	6,372
	3,196	9,336
Other receivables - non current	5,000	5,000
Total trade and other receivables	8,196	14,336

QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR FIRST QUARTER AND THREE MONTHS ENDED 30 SEPTEMBER 2016 (“1Q2017”)

Notes to the consolidated statement of financial position (cont’d)

7) Related parties balances (net)

The related party balances mainly relate to trade balances between subsidiary and its joint venture entities.

	Sep-16	Jun-16
	S\$’000	S\$’000
Amount due from	219	294

8) Trade and other payables

Trade and other payables have increased from S\$3.2 million as at 30 June 2016 to S\$3.5 million as at 30 September 2016.

	Sep-16	Jun-16
	S\$’000	S\$’000
Trade payables	1,282	1,206
Other creditors, payables and accruals	2,239	2,002
	<u>3,521</u>	<u>3,208</u>

9) Finance lease obligations

The decrease in finance lease was due to repayment during the period.

	Sep-16	Jun-16
	S\$’000	S\$’000
Current	9	9
Non-current	11	14
	<u>20</u>	<u>23</u>

10) Income tax liabilities

Income tax liabilities which mainly arise from our oilfield equipment supplies and services segment remained at S\$0.02 million as at 30 June 2016 and 30 September 2016.

11) Borrowings

	Sep-16	Jun-16
	S\$’000	S\$’000
<u>Current liabilities</u>		
Unsecured convertible notes ⁽¹⁾	400	1,250
Secured convertible notes ⁽²⁾	3,500	3,500
	<u>3,900</u>	<u>4,750</u>

- 1) On 3 September 2014, the Company entered into a subscription agreement with Premier Equity Fund (the “Subscriber”), a company incorporated in the Cayman Islands and Value Capital Asset Management Private Limited (the investment manager for the Subscriber) pursuant to which the Company shall issue up to S\$35 million in aggregate principal amount of unsecured redeemable convertible notes due 2017 (the “Notes Issue”).

QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR FIRST QUARTER AND THREE MONTHS ENDED 30 SEPTEMBER 2016 (“1Q2017”)

Notes to the consolidated statement of financial position (cont’d)

11) Borrowings (cont’d)

The issue price of the convertible notes is 100% of the principal amount and may be converted into fully paid ordinary shares in the share capital of the Company at the option of the Subscriber on the terms and subject to the conditions of the subscription agreement. Any convertible notes not converted will be redeemed by the Company at 100% of their principal amount on 36 months after the closing date for the first sub-tranche of the tranche 1 notes.

Subsequent to 30 September 2016, S\$200,000 of the outstanding unsecured convertible notes have been converted into 222,222,222 ordinary shares. The remaining outstanding secured and unsecured convertible notes can be converted into 222,222,222 ordinary shares based on the latest conversion price of S\$0.0009 per share as determined on 24 October 2016.

- 2) The Company entered into a secured convertible note (“CN”) agreement with Financial Frontiers Pte Ltd, a Singapore-based private equity firm to issue S\$3.5 million 8% redeemable convertible notes due 180 days from the date of issue. The maturity date of the CN is on 31 March 2017.

The CN is ranked as a senior secured obligation of the Company under the convertible note agreement and has a first fixed charge over the Company’s interest in shares of a subsidiary and a first floating charge over all of the Company’s undertakings and all its assets, both present and future, limited to the principal amount of the CN. Please refer to the announcements dated 6 April 2016 and 7 October 2016 for further information.

12) Assets held for sale

As a result of the Proposed Acquisition as mentioned in item 3, the coal concession rights and exploration asset has been reclassified to assets held for sale and the coal mining segment had been classified as discontinued operations for the financial year ended 30 June 2016.

13) Deferred tax liabilities/(assets)

Deferred tax liabilities have been recognised on the intangible assets and investments in quoted equities in Australia. The deferred tax for unutilised benefits mainly comprises the deductible temporary differences arising from the provision for unutilised leave, long service leave and other employee benefits.

	Sep-16	Jun-16
	S\$’000	S\$’000
Property, plant and equipment	(17)	(16)
Intangible assets	1,521	1,503
Available-for-sale financial assets	(188)	(185)
Provision and unutilised benefits	(1,526)	(1,508)
	<u>(210)</u>	<u>(206)</u>

Represented by:

Deferred tax assets	(212)	(208)
Deferred tax liabilities	2	2
	<u>(210)</u>	<u>(206)</u>

QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR FIRST QUARTER AND THREE MONTHS ENDED 30 SEPTEMBER 2016 ("1Q2017")

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30-Sep-2016	
Secured	Unsecured
S\$'000	S\$'000
3,509	400

As at 30-Jun-2016	
Secured	Unsecured
S\$'000	S\$'000
3,509	1,250

Amount repayable after one year

As at 30-Sep-2016	
Secured	Unsecured
S\$'000	S\$'000
11	-

As at 30-Jun-2016	
Secured	Unsecured
S\$'000	S\$'000
14	-

Details of group's borrowings, debt securities and any collateral

The secured borrowings as at 30 September 2016 and 30 June 2016 relates to finance lease and convertible notes.

The secured convertible notes was secured by a fixed and floating charge over the Company's assets.

QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR FIRST QUARTER AND THREE MONTHS ENDED 30 SEPTEMBER 2016 ("1Q2017")

1(c) A consolidated statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	Three Months Ended	
	Sep-16 S\$'000	Sep-15 S\$'000
Cash flows from operating activities		
Loss before income tax	(1,336)	(3,333)
Adjustments of non-cash items	26	2,139
Operating cash flows before working capital changes	(1,310)	(1,194)
- Working capital changes	3,457	433
Cash flows from/(used in) operations	2,147	(761)
Interest income received	130	32
Interest paid	(70)	(18)
Income taxes paid	-	(141)
Net cash generated from/(used in) operating activities	2,207	(888)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	8	-
Purchase of plant and equipment	(3,847)	(305)
Net proceeds from redemption of other financial assets	1,000	-
Investment in joint investment	-	(1,408)
Redemption of/(investment in) fixed income investment	50	(200)
Payment of petroleum exploration expenditure	(152)	(69)
Investment in redeemable convertible loan	-	(3,500)
Fixed deposits pledged to banks	87	(53)
Net cash flows used in investing activities	(2,854)	(5,535)
Cash flows from financing activities		
Repayment of finance lease obligations	(2)	(2)
Share issue expense	(34)	(106)
Dividend paid by a subsidiary to non-controlling shareholders	-	(716)
Proceeds from issuance of convertible notes	500	4,500
Net cash flows generated from financing activities	464	3,676
Net decrease in cash and cash equivalents	(183)	(2,747)
Cash and cash equivalents at beginning of the period	11,321	18,638
Effects of exchange rate changes on cash and cash equivalents	389	592
Cash and cash equivalents at the end of the period	11,527	16,483
Represented by:		
Cash and bank balances	5,877	7,499
Fixed deposits and other investments	5,650	8,984
	11,527	16,483
<u>Cash and cash equivalents</u>		
Cash and bank balances	5,877	7,499
Fixed deposits	11,129	14,318
Cash and cash equivalents	17,006	21,817
Less: Fixed deposits (restricted)	(5,479)	(5,334)
Cash and cash equivalents at the end of the period	11,527	16,483

QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR FIRST QUARTER AND THREE MONTHS ENDED 30 SEPTEMBER 2016 ("1Q2017")

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Group	Attributable to shareholders					Non-Controlling Interests	Total Equity
	Share Capital	Fair Value Reserve	Translation Reserve	Accumulated Losses	Total		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 July 2016	140,957	-	(8,254)	(99,121)	33,582	14,406	47,988
Total comprehensive (loss)/profit for the period	-	763	421	(893)	291	(92)	199
Issue of new shares	1,350	-	-	-	1,350	-	1,350
Share issue expenses	(34)	-	-	-	(34)	-	(34)
Balance at 30 September 2016	142,273	763	(7,833)	(100,014)	35,189	14,314	49,503

QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR FIRST QUARTER AND THREE MONTHS ENDED 30 SEPTEMBER 2016 ("1Q2017")

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

Group	Attributable to shareholders					Non-Controlling Interests	Total Equity
	Share Capital	Fair Value Reserve	Translation Reserve	Accumulated Losses	Total		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 July 2015	128,278	-	(8,005)	(82,592)	37,681	25,716	63,397
Total comprehensive (loss)/profit for the period	-	-	667	(2,619)	(1,952)	(134)	(2,086)
Issuance of shares	3,600	-	-	-	3,600	-	3,600
Share issuance cost	(106)	-	-	-	(106)	-	(106)
Dividends paid by a subsidiary to non-controlling shareholders	-	-	-	-	-	(716)	(716)
Balance at 30 September 2015	131,772	-	(7,338)	(85,211)	39,223	24,866	64,089

QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR FIRST QUARTER AND THREE MONTHS ENDED 30 SEPTEMBER 2016 ("1Q2017")

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

Company	Share Capital	Accumulated Losses	Total
	S\$'000	S\$'000	S\$'000
Balance at 1 July 2016	140,957	(111,551)	29,406
Issuance of new shares	1,350	-	1,350
Share issue expense	(34)	-	(34)
Total comprehensive income for 1Q2017	-	144	144
Balance at 30 September 2016	142,273	(111,407)	30,866
Balance at 1 July 2015	128,278	(107,214)	21,064
Issuance of new shares	3,600	-	3,600
Share issue expense	(106)	-	(106)
Total comprehensive loss for 1Q2016	-	(1,951)	(1,951)
Balance at 30 September 2015	131,772	(109,165)	22,607

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Date	Description	No of shares	Paid-up Capital (S\$'000)
30-Sep-16	Issued and paid-up capital	5,352,088,924	142,273
30-Jun-16	Issued and paid-up capital	3,911,612,739	140,957

There is no outstanding convertible and no share option or award granted under the Magnus Energy Employee Share Option Plan. The increase in the Company's share capital during the current financial period was due to the issue of 1,440,476,185 shares converted pursuant to the Notes Issue.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	30-Sep-16	30-Jun-16
No. of ordinary shares issued and fully paid	5,352,088,924	3,911,612,739

There is no treasury share as at the end of the current financial period and as at the end of the immediately preceding year.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2 Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.

The figures have neither been audited nor reviewed by the auditors.

QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR FIRST QUARTER AND THREE MONTHS ENDED 30 SEPTEMBER 2016 ("1Q2017")

- 3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has consistently applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited annual financial statements as at 30 June 2016.

- 5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Not applicable. Refer to Note 4 above.

- 6 Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group	
	Three Months	
	Jul 2016 - Sep 2016	Jul 2015 - Sep 2015
Loss for the period (S\$'000)	(893)	(2,619)
- Based on weighted average number of ordinary shares in issue (cents) - basic and diluted ⁽¹⁾	(0.041)	(0.782)
- Weighted average number of ordinary shares ('000)	2,193,035	334,924

(1) Diluted loss per share is the same as the basic loss per share because the potential ordinary shares to be converted are anti-dilutive as the effect of the share conversion would be to decrease the loss per share.

- 7 Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on; and (b) immediately preceding financial year.**

	Group		Company	
	As at 30-Sep-16	As at 30-Jun-16	As at 30-Sep-16	As at 30-Jun-16
Net asset value per ordinary share (cents)	0.66	0.86	0.58	0.75
On a fully diluted basis (cents)	0.40	0.42	0.36	0.37

QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR FIRST QUARTER AND THREE MONTHS ENDED 30 SEPTEMBER 2016 ("1Q2017")

8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the revenue, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

Revenue, costs, and earnings of the Group for the quarter ended 30 September 2016 ("1Q2017") and 30 September 2015 ("1Q2016")

The Group's revenue decreased by 41.1% from S\$5.6 million for 1Q2016 to S\$3.3 million for 1Q2017 as a result of the plunge in global oil prices which led to a weaker demand in the oil and gas equipment segment. Cost of sales decreased by 43.0% from S\$4.7 million for 1Q2016 to S\$2.7 million for 1Q2017. Gross profit has decreased by 31.9% from S\$0.9 million for 1Q2016 to S\$0.6 million for 1Q2017. Gross profit margin increased from 16.7% to 19.4% mainly due to lower profit margin from tubular product in 1Q2016 as compared to 1Q2017. Refer to item 10 on page 15 for more information on the Group's sales performance.

Other operating income

	Jul 2016 - Sep 2016	Jul 2015 - Sep 2015
	S\$'000	S\$'000
Exchange gain	130	-
Gain on disposal of property, plant and equipment	5	-
Recoverable of doubtful debts	-	58
Other income	10	27
	<u>145</u>	<u>85</u>

Expenses

	Jul 2016 - Sep 2016	Jul 2015 - Sep 2015
	S\$'000	S\$'000
		(Restated)
Distribution & selling expenses	60	26
Administrative expenses	1,733	1,888
Other operating expenses	40	2,543
	<u>1,833</u>	<u>4,457</u>

Expenses have decreased by S\$2.7 million from S\$4.5 million for 1Q2016 to S\$1.8 million for 1Q2017 due to decrease in unrealised exchange loss of S\$1.2 million and no impairment of available-for-sale financial assets of S\$1.1 million as recorded in 1Q2016. Administrative expenses which includes remuneration related expenses were lower by S\$0.1 million. Please refer to Note 1 on Page 2 for further details.

Finance income/costs

Finance income is mainly due to interest income. Finance expenses are mainly due to hire purchase interests and bank charges.

	Jul 2016 - Sep 2016	Jul 2015 - Sep 2015
	S\$'000	S\$'000
		(Restated)
Finance income	196	115
Finance costs	(82)	(18)
	<u>114</u>	<u>97</u>

QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR FIRST QUARTER AND THREE MONTHS ENDED 30 SEPTEMBER 2016 ("1Q2017")

Net loss after tax

Net loss after tax was S\$1.3 million for 1Q2017 and S\$3.3 million for 1Q2016. The net loss for the period was mainly contributed by decrease in revenue resulting to lower gross profit and decrease in unrealised exchange loss of S\$1.2 million and no impairment of available-for-sale financial assets of S\$1.1 million as recorded in 1Q2016.

- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

The Group recorded a net cash generated from operating activities of S\$2.2 million for 1Q2017 and net cash used in operating activities of S\$0.9 million for 1Q2016. Cash inflow from working capital was S\$3.5 million as compared to S\$0.4 million for 1Q2016.

Net cash flow used in investing activities was S\$2.9 million for 1Q2017 as compared to S\$5.5 million for 1Q2016.

Net cash flows generated from financing activities was S\$0.5 million for 1Q2017 as compared to S\$3.7 million for 1Q2016, the decrease mainly due to the lower proceeds from the convertible notes.

Comparatively, the Group's cash and cash equivalent decreased by S\$5.0 million, after adjusting for effects of foreign currencies exchanges, from S\$16.5 million as at 30 September 2015 to S\$11.5 million as at 30 September 2016. The details of the cash flow statement are on Page 9.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not Applicable.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group's oilfield equipment supplies and services segment, Mid-Continent Equipment Group Pte Ltd and its subsidiaries ("Mid-Con Group") currently forms the Group's main core business. The prolonged weakness in global oil prices has negatively affected the overall performance of the Mid-Con Group and hence, the Group. Jute-1 and Willow-1 have been drilled as part of the ongoing drilling campaign in PRL 173 and PRL 174 ("Gas Concessions"). Mid-Con Group shall continue its exploration efforts in the Gas Concessions.

The Group has taken a cautious approach to its investment in PT Hanjungin by extending a Redeemable Convertible Loan ("RCL"), while taking a view on the possibility of converting the RCL into equity in PT Hanjungin. The Group has taken continuous efforts to review the economy of Kupang to assess the ongoing viability of the property project. Several other collaborations with PT Hanjungin have been terminated and the investments sums have been duly recovered accordingly.

On 22 June 2016, the Company's wholly-owned subsidiary, MEG Management Sdn Bhd has entered into an engineering, procurement and construction contract and operation and maintenance agreement with Algae Farm Engineering Sdn Bhd to build and manage a microalgae oil cultivation facility in Selangor, Malaysia. The construction has been more than 50% completed and we expect to see delivery of the completed project by end December 2016. The project is expected to have a positive effect on the net tangible assets per share and earnings per share of the Group for the financial year ending 30 June 2017.

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As announced on 30 June 2016 and 2 August 2016 by APAC Coal Limited (“APAC”), APAC has entered into a sales and purchase agreement to acquire 100% of the shares in Sharp Year Ventures Limited, which shall be fully funded by the issuance of APAC’s shares (the “Proposed Acquisition”). The Proposed Acquisition presents an excellent opportunity for the Company to enhance the value of its shareholdings in APAC and also to rationalize its loss making coal division that currently has a protracted legal dispute.

With the existing funding arrangements from the Notes Issue, the Group is actively pursuing new acquisitions and investment opportunities globally in the near future. The Group is exposed to movements in US Dollar and Australian Dollar as a result of the fixed deposits which are denominated in US Dollar and Australian Dollar. The strengthening or weakening of these currencies may have a significant impact on the Group’s future results

11 Dividend

- (a) Current Financial Period Reported On - Not applicable
- (b) Corresponding Period of the Immediately Preceding Financial Year - Not applicable
- (c) Tax exempt dividend – Not applicable
- (d) Date payable - Not applicable
- (e) Book closure date - Not applicable

12 If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared/recommendeded for the period ended 30 September 2016.

13 If the Group has obtained a general mandate from shareholders for Interested Person Transactions (“IPT”), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

No IPT general mandate has been obtained by the Group from the shareholders. There was no interested person transaction for the period under review.

14 Confirmation by the Board pursuant to Rule 705(5)

We, Kushairi Bin Zaidel and Ong Chin Chuan, being two directors of the Company, do hereby confirm on behalf of the directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the period ended 30 September 2016 to be false or misleading in any material aspect. A signed confirmation copy is kept in record.

On behalf of the Board of Directors

Kushairi Bin Zaidel
Non-executive Independent Director

Ong Chin Chuan
Non-executive Independent Director

15 Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Listing Manual

The Company hereby confirms that it has procured signed undertakings from all its Directors and the relevant executive officers in the format as set out in Appendix 7H of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist (“Catalist Listing Manual”) in accordance with Rule 720(1) of the Catalist Listing Manual.

QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR FIRST QUARTER AND THREE MONTHS ENDED 30 SEPTEMBER 2016 ("1Q2017")

16 Use of Proceeds from Notes Issue

Notes Issue	S\$'000	Utilisation of Proceeds as at 7 November 2016	S\$'000
Convertible Notes	35,000	<i>Investments and general corporate purposes</i>	
Notes Issued	(23,000)	Increase in stake in Midcon ⁽¹⁾	393
Notes Unissued	12,000	Amount disbursed in relation to the Redeemable Convertible Loan of up to S\$5,000,000 ⁽²⁾	5,000
		Physical trading of renewable energy and natural resource ⁽³⁾	2,407
		Deposit paid for investment in quoted equities ⁽⁴⁾	1,408
		Investment in infrastructure development ⁽⁵⁾	1,900
		Acquisition of subsidiary ⁽⁶⁾	1,000
		Investment in dam project in West Java Indonesia ⁽⁷⁾	1,000
		Deed of assignment ⁽⁸⁾	1,009
		Microalgae oil cultivation facility in Malaysia ⁽⁹⁾	3,573
		Fixed income investment	200
		<i>General working capital</i>	
		Repayment of convertible loan	798
		General working capital	3,440
			22,128

- (1) Please refer to the announcement "Completion of Acquisition in Mid-Continent Equipment Group Pte. Ltd." dated 26 January 2015 for further information.
- (2) Please refer to the announcement "Redeemable Convertible Loan of up to S\$5,000,000" dated 22 May 2015 for further information.
- (3) This include trading of crude palm oil, coal and raw materials for construction of infrastructure.
- (4) Please refer to the announcement "Joint Investment with Yangtze Investment Partners Limited" dated 20 August 2015, 9 November 2015, 19 February 2016 and 14 June 2016 for further information.
- (5) Please refer to the announcement "Road Project in Central Java Indonesia" dated 16 November 2015 and "Road Project in West and Central Java Indonesia" dated 1 February 2016 for further information.
- (6) Please refer to the announcement "Completion of subscription of 2,700,000 shares in Flagship Ecosystems Pte. Ltd." dated 1 December 2015 for further information.
- (7) Please refer to the announcement "Dam Project in West Java Indonesia" dated 23 March 2016 and 21 September 2016 for further information.
- (8) Please refer to the announcement "MEG Global Ventures Pte Ltd entering into a Deed of Assignment with Revenue Anchor Sdn Bhd" dated 28 April 2016.
- (9) Please refer to the announcement "Microalgae oil cultivation facility in Malaysia" dated 22 June 2016.

BY ORDER OF THE BOARD

Luke Ho Khee Yong
Chief Executive Officer
7 November 2016

MAGNUS ENERGY GROUP LTD.
(Registration No. 198301375M)

QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR FIRST QUARTER AND THREE MONTHS ENDED 30 SEPTEMBER 2016 (“1Q2017”)

About Magnus Energy Group Ltd. (www.magnusenergy.com.sg)
Listed since 04 August 1999

Incorporated in 1983, SGX Catalist Board-listed Magnus Energy Group Ltd. (“Magnus”) is an investment holding company with a diversified portfolio comprising oil, coal and gas assets, oil and gas equipment distribution, renewable energy and natural resources trading, property and infrastructure development, and industrial waste water treatment.

Magnus aims to maximise shareholder value through strategic investments in profitable projects and acquisitions globally with the goal of broadening the Group’s earnings base and shareholder value.

*This announcement has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, Stamford Corporate Services Pte Ltd (“**Sponsor**”), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalist. The **Sponsor** has not independently verified the contents of this announcement.*

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.

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